

PUBLIC DISCLOSURE

JANUARY 4, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

GLOUCESTER FIRE DEPARTMENT CREDIT UNION

8 SCHOOL STREET
GLOUCESTER, MA 01930

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **GLOUCESTER FIRE DEPARTMENT CREDIT UNION (or the "Credit Union")** prepared by the Division, the institution's supervisory agency, as of **JANUARY 4, 2006**. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding"

Gloucester Fire Department Credit Union is an industrial credit union; therefore it defines its assessment area as its membership. The overall rating is comprised of three performance criteria of the small institution examination procedures for industrial credit unions: Loan-to-Share Ratio, Lending to Borrowers of Different Incomes and Fair Lending.

The Credit Union's average net loan-to-share ratio for the period of September 30, 2003 to June 30, 2005 was 83.4 percent and met the standards for satisfactory performance. The Credit Union's distribution of credit among different income levels is good and considered to exceed the standards for satisfactory performance. In addition, the Credit Union's fair lending performance was found to be satisfactory at the time of the examination and no CRA complaints were received since the previous examination.

PERFORMANCE CONTEXT

Description of Institution

Gloucester Fire Department Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1938. As of December 31, 2005, the Credit Union had 105 members. As of June 30, 2005, the Credit Union had assets of approximately \$447,633 with loans comprising 69.6 percent of all assets, or a total of approximately \$311,534. The Credit Union's loan portfolio is mainly comprised of unsecured loans/lines of credit, and new and used vehicles.

The following chart illustrates the composition of the loan portfolio.

Loan Distribution as of June 30, 2005		
Loan Type	Dollar Amount \$	Percent (%)
Unsecured Loans/Lines of credit	155,559	49.6
New Vehicle Loans	104,533	33.3
Used Vehicle Loans	53,583	17.1
Less: Allowance for Loan & Lease Losses	(2,141)	0.0
TOTAL	311,534	100.0

Source: Report of Condition

Services and hours of operation are flexible. Gloucester Fire Department Credit Union operates one banking office located at 8 School Street in Gloucester, Massachusetts. The Credit Union offers share accounts.

Gloucester Fire Department Credit Union was last examined for compliance with the CRA by the Division on September 27, 1999. The Credit Union's CRA performance was rated Outstanding at that time.

Description of Assessment Area

Gloucester Fire Department Credit Union defines its assessment area as its membership, in accordance with the Massachusetts' CRA regulation 209 CMR 46.41(8), which states: "Notwithstanding the requirements of this section, a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area." The Credit Union has elected to identify its assessment area in this manner.

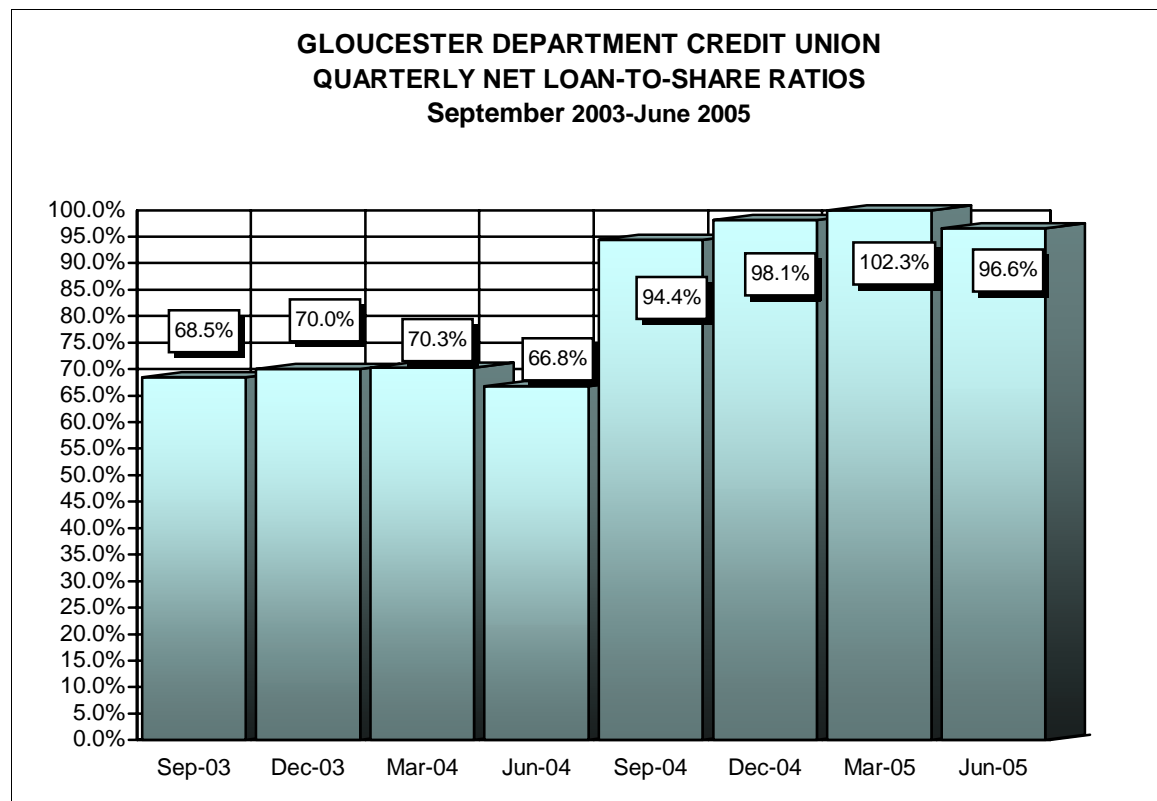
The Credit Union's membership (as incorporated in its by-laws) is open to all employees of the Gloucester Fire Department, including the fire alarm men, their immediate families and organizations of such employees.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

Based upon the Credit Union's asset size, its capacity to lend, and the credit needs of its members, the Credit Union's net loan-to-share ratio indicates that the Credit Union exceeds the standards of satisfactory performance.

An analysis of Gloucester Fire Department Credit Union's net loan-to-share ("LTS") ratios was performed using National Credit Union Administration ("NCUA") quarterly call reports from September 30, 2003, through June 30, 2005. This analysis was conducted to determine the extent of the Credit Union's lending compared to deposits received from its members. The ratios during this time period ranged from a high of 102.3 percent in March 2005 to a low of 66.8 percent in June 2004. The average net LTS ratio for the period was 83.4 percent. The following graph illustrates the net LTS detail for the period reviewed.



2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Under the CRA regulation, 209 CMR, section 46.41(8), a credit union's membership that is not based on residence, such as Gloucester Fire Department Credit Union, may define its assessment area as its membership, as opposed to a geographic area. A membership defined assessment area does not consider any fixed limits on geography, therefore an evaluation of credit extended inside and outside of the assessment area was not conducted.

PERFORMANCE CRITERIA (CONTINUED)

3. LENDING TO BORROWERS OF DIFFERENT INCOMES

The distribution of loans to borrowers of different incomes reflects good penetration among all income levels. Based upon this analysis of a sample of consumer loans, the Credit Union's efforts exceed the standards for satisfactory performance.

The Credit Union originated 34 loans during 2004 totaling \$346,454 and 19 loans in 2005 totaling \$190,357. Originations include unsecured and secured personal loans, and new and used automobile loans. A sample of 20 consumer loans from 2004 and 2005 was taken in order to determine the distribution of credit based on the income levels of members. All of the consumer loans sampled were evaluated by using the income figures for the Essex County, MA MD for 2004 and 2005 as the designation changed. The originations were categorized by the ratio of the applicant's reported income to the estimated 2004 and 2005 median family incomes. The income figures are based on estimated Department of Housing and Urban Development ("HUD") information which was \$76,000 for 2004 and \$76,700 for 2005.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the Metropolitan Statistical Area ("MSA"). Moderate income is defined as income between 50 and 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median income. Upper income is defined as income equal to or greater than 120 percent of the median income.

A sample of the consumer loans reviewed indicated that no loans were to low-income members and 80 percent were to moderate-income members. The following table provides further detail.

Consumer Lending to Borrowers of Different Income Levels

% OF MEDIAN MSA INCOME	2004		2005		TOTAL	
	#	%	#	%	#	%
<50%	0	0.0	0	0.0	0	0.0
50% - 79%	7	70.0	9	90.0	16	80.0
80% - 119%	3	30.0	1	10.0	4	20.0
120% >	0	0.0	0	0.0	0	0.0
TOTAL	10	100.0	10	100.0	20	100.0

Source: In House Loan Files – 2003, 2004 and year-to-date 2005.

Based upon the analysis of a sample of consumer loans by borrower income, it appears that the Credit Union's lending is fairly distributed to members of various income levels, including moderate-income.

PERFORMANCE CRITERIA (CONTINUED)

4. GEOGRAPHIC DISTRIBUTION OF LOANS

According to the CRA regulation, credit unions whose membership's by-law provisions are not based on residence are permitted to designate its membership as its assessment area. Therefore, since Gloucester Fire Department Credit Union has defined its assessment area as its membership, as opposed to the geographic area, an evaluation of credit extended within defined geographic areas was not conducted.

5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the Credit Union's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

The Credit Union's fair lending data was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment Act and Fair Lending guidelines. A review of the public comment file revealed that the Credit Union received no complaints pertaining to the institution's CRA performance since the previous examination. A sample of the Credit Union's approved and denied consumer loan application files were reviewed for fair lending. No discriminatory practices were noted.

The Credit Union's staff is comprised of one part-time employee.

The Credit Union's credit committee reviews all loans. The credit committee is comprised of three members, all being directors and one is the Chairman.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (8 School Street, Gloucester, MA 01930)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.